



PUBLIC UTILITIES COMMISSION

October 5, 1992

CONSUMER ASSISTANCE DIVISION BULLETIN 92-5

TO: All Utilities
FROM: Barbara R. Alexander, ^{ARG} Director
Consumer Assistance Division
RE: Late Fees for Estimated Bills

A number of utilities routinely issue estimated bills every other month (or quarter), followed by actual readings on alternate months (or quarters). One of these utilities has asked whether it is proper to charge late fees on estimated bills that remain unpaid at least 25 days after their due date.

There is nothing in either Chapter 870 (Late Payment Charges, Interest Rates to Be Paid on Customer Deposits, and Charges for Returned Checks) or 810 (Residential Utility Service Standards for Credit and Collection Programs) of the Commission's rules that would specifically prohibit a utility from charging late fees on estimated bills. Assuming that the bill has been properly issued, according to the estimated bill provisions of Section 3(B)¹ of Chapter 810, and the disclosures on the bill clearly identify the amount as estimated as required by Chapter 810, Section 3(F)(1)(e), Chapter 870 does not prohibit a utility from assessing a late fee on an estimated bill. This also assumes, of course, that the late fee has been approved by the Commission as part of the utility's Terms and Conditions.

The policy reason for suggesting a different result is that a utility-estimated bill might exceed the customer's actual usage, thereby resulting in late fees in excess of what would have been charged for an actual reading. The subsequent correct bill would result in a credit to the customer's account had the customer, in fact, paid the larger amount of the estimated bill, but will not result in a recalculation of any late fees imposed

¹The conditions under which estimated bills can be routinely issued should be noted.

on the estimated bill. Conversely, an estimated bill that is CAD less than the customer's actual usage will result in a late fee, assuming the customer fails to pay the bill, that does not cover the actual customer usage in question. However, the lack of any definitive direction in either Chapter 810 or 870 of the Commission's rules concerning this issue leads to our conclusion that the utility has the discretion whether or not to charge late fees on estimated bills, and the suggestion that utilities consider recalculating any late fee imposed on a customer whose unpaid estimated bill is larger than the subsequent actual bill.

Another aspect of the estimated bill situation should be noted. Section 8(A)(3) of Chapter 810 prohibits utilities from issuing a disconnection notice for an amount overdue based on an estimated bill. The exception to this general rule is that the overdue amount shown on a disconnection notice may include an estimated bill "only if the utility attempted reasonable alternatives to gain access or obtain readings supplied by the customer." The general policy of Chapter 810 is to discourage disconnection of a monopoly service based on estimated bills. The utility should make some personalized effort to obtain an actual reading after the issuance of a routine estimated bill to satisfy the exception stated above. Alternatively, the utility can wait until it issues a bill based on an actual read and then proceed to initiate collection activity, including issuing a disconnection notice for the actual past due amount.

This is an informal staff interpretation. A utility has the right to seek a more formal Advisory Ruling from the Commission pursuant to Chapter 110 of the Commission's rules.

BA/kp